

**Date:** November 17, 2022

File No.: 2123

**To:** **David Kilgore**, Director  
California Department of Child Support Services  
P. O. Box 419064  
Rancho Cordova, CA 95741

**From:** **Department of General Services**  
**Office of Audit Services**

**Subject: AUDIT REPORT: COMPLIANCE WITH STATE BUSINESS MANAGEMENT POLICIES**

Attached is the final report on our compliance audit of the business management functions and services of the Department of Child Support Services (DCSS). The objective of our audit was to determine compliance with policies set forth in the State Administrative Manual, and the terms and conditions of any specific delegations of authority or exemptions from approval granted by the Department of General Services (DGS).

DCSS' written response to our draft report is included in this final report. The report also includes our evaluation of the response. We are pleased with the actions taken or proposed and commitments made to address our recommendations.

As part of its operating responsibilities, the Office of Audit Services is responsible for following up on audit recommendations and will require a six-month status report on the implementation of each. Therefore, please submit to us on your department's official letterhead the status report by May 17, 2023.

To the extent that it is practicable, proof-of-practice and supporting documentation should explain/outline specific actions taken and include excerpts, samples, screenshots, and/or copies of documents and communications which demonstrate corrective measures employed to address each of our recommendations, consistent with DCSS' individual formal responses to our draft report.

The necessity of any further actions or additional support will be determined at that time. Please transmit your proof-of-practice documentation and/or status report to: DGS – Office of Audit Services, 707 3rd Street, 8th Floor, West Sacramento, CA 95605 or preferably via e-mail to [Dennis.Miras@dgs.ca.gov](mailto:Dennis.Miras@dgs.ca.gov).

We sincerely appreciated the cooperation and assistance provided by DCSS' personnel.

If you need further information on or assistance with this report, please call/e-mail me at (916) 376-5064/[Dennis.Miras@dgs.ca.gov](mailto:Dennis.Miras@dgs.ca.gov), or Larisa Samoylovich, Management Auditor, at (279) 799-3730 / [Larisa.Samoylovich@dgs.ca.gov](mailto:Larisa.Samoylovich@dgs.ca.gov).

*Dennis M Miras*

DENNIS M. MIRAS, CIA  
Manager, Office of Audit Services

Attachment

cc: Kristen Donadee, Chief Deputy Director, DCSS  
Selis Koker, Chief Counsel, Office of Legal Services, DCSS  
Irene Briggs, Deputy Director, Administrative Services Division, DCSS  
Dee Kumar, Audit Chief, Office of Audits and Compliance, DCSS  
Purchasing Authority Management Section (PAMS), Procurement Division,  
DGS

**GOVERNMENT OPERATIONS AGENCY  
DEPARTMENT OF GENERAL SERVICES**

**AUDIT OF THE  
CALIFORNIA DEPARTMENT OF  
CHILD SUPPORT SERVICES**

**FOR COMPLIANCE WITH STATE  
BUSINESS MANAGEMENT POLICIES  
REPORT NO. 2123**

**OFFICE OF AUDIT SERVICES**

**AUGUST 2022**



**CALIFORNIA DEPARTMENT OF CHILD SUPPORT SERVICES  
(DCSS)**

**COMPLIANCE AUDIT  
REPORT NO. 2123**

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**STATE OF CALIFORNIA**  
**DEPARTMENT OF GENERAL SERVICES**  
**AUDITOR'S REPORT**

DATE: November 17, 2022

TO: **David Kilgore**, Director  
California Department of Child Support Services

This report presents the results of our compliance audit of the business management functions and services of the California Department of Child Support Services (DCSS) and its delegated purchasing program. These audits are routinely performed under the authority granted to the Department of General Services (DGS) by Government Code Sections 14615 and 14619 and Public Contract Code Section 10333. The objective of our audit was to determine compliance with policies set forth in the State Administrative Manual, and the terms and conditions of any specific delegations of authority or exemptions from approval granted by DGS.

As applicable, the scope of this audit included, but was not limited to, compliance with policies and procedures governing contracting, fleet and travel services administration, small business and disabled veteran business enterprise usage, driver safety and insurance, surplus property, real estate, and delegated purchasing. Our audit was conducted in accordance with U.S. generally accepted auditing standards.

While in most areas we concluded that DCSS is conducting its business management functions and services in accordance with state requirements, we identified the following areas for improvement. The implementation of the recommendations presented in this report will assist DCSS in addressing these issues:

- Contracting program policies and procedures are not ensuring full compliance with state contracting requirements. The types of exceptions noted during our audit included: (1) no support on file that the Department of Fair Employment and Housing was notified as required; (2) documentation missing of a firm's agreement with various mandated contractor certification clauses; (3) no verification prior to contract award that a corporation is in good standing to do business in California; and (4) contract approvals are obtained prior to the contract start date.

- DCSS' delegated purchasing authority (DPA) practices are not in full compliance with applicable state requirements governing these types of procurements. Specifically, the types of exceptions noted included insufficient procurement documentation involving: (1) fair and reasonable methodology used; (2) signed declarations for certified SB (small business) and DVBE (disabled veteran business enterprise) vendors; and (3) verification that the contractor is not on FTB (Franchise Tax Board) and CDTFA (California Department of Tax and Fee Administration) prohibited lists.
- DCSS' driver safety and insurance program is not ensuring that employees who use their own vehicle to conduct state business complete and annually update a vehicle certification form.
- Sufficient documentation is not being maintained on the process used to dispose of surplus personal property.

During our review we also identified other matters requiring attention, but that did not pose a significant risk to the business management functions, which were discussed with DCSS' management and are not further detailed in this report.

We are pleased with the commitment shown to improve compliance with state requirements. It should be noted that when advised of areas for improvement during our audit fieldwork, DCSS' management took prompt actions to address our concerns. However, we did not perform effectiveness tests to determine whether the corrective actions were functioning as intended. DCSS' management has the ongoing responsibility for ensuring that its business management and DPA program policies and procedures are functioning as prescribed and are modified, as appropriate, for changes in conditions.

Your response to our recommendations as well as our evaluation of the response are included in this report.

We sincerely appreciated the cooperation and assistance provided by DCSS' personnel.

If you need further information on or assistance with this report, call/e-mail me at (916) 376-5064/[Dennis.Miras@dgs.ca.gov](mailto:Dennis.Miras@dgs.ca.gov), or Larisa Samoylovich, Management Auditor, at (279) 799-3730/[Larisa.Samoylovich@dgs.ca.gov](mailto:Larisa.Samoylovich@dgs.ca.gov).



*Dennis M Miras*

DENNIS M. MIRAS, CIA  
Manager, Office of Audit Services

Staff: Monica De La Rosa, Management Auditor  
Larisa Samoylovich, Management Auditor

cc: Kristen Donadee, Chief Deputy Director, DCSS  
Selis Koker, Chief Counsel, Office of Legal Services, DCSS  
Irene Briggs, Deputy Director, Administrative Services Division, DCSS  
Dee Kumar, Audit Chief, Office of Audits and Compliance, DCSS  
Purchasing Authority Management Section (PAMS), Procurement Division,  
DGS

# CALIFORNIA DEPARTMENT OF CHILD SUPPORT SERVICES

## COMPLIANCE AUDIT

### FINDINGS AND RECOMMENDATIONS

The following presents our detailed findings and recommendations developed based on our review of the business management functions and services of the California Department of Child Support Services (DCSS) for compliance with policies set forth in the State Administrative Manual (SAM), and the terms and conditions of any specific delegations of authority or exemptions from approval granted by the Department of General Services (DGS). This report presents information on areas of noncompliance with policies governing the: contracting for services; delegated purchasing program; annual certification and authorization to use privately owned vehicles on state business; and disposition of surplus personal property.

This information was developed based on our fieldwork conducted over the period of April 29, 2022 through August 18, 2022. In addition to this written report, as findings were observed and developed during our audit fieldwork, DCSS' management was promptly advised of any areas of concern so that they could begin taking corrective action. Further, during our August 18, 2022 audit exit conference, DCSS was provided a detailed written summary of issues noted during our review.

To determine compliance, we reviewed policies and procedures, interviewed parties involved, tested records and transactions, and performed other tests as deemed necessary. The period covered by our testing varied depending upon the area of review and the type of transactions involved; however, the emphasis of our review and testing was with current procedures and transactions completed during the 2021-22 fiscal year.

#### **CONTRACTING PROGRAM**

Overall, we determined that DCSS was conducting its contracting program in compliance with state requirements. However, our sample tests of the various types<sup>1</sup> of contracts processed disclosed a number of areas for improvement that need to be addressed to fully comply with the state's service contracting requirements. The state's contracting requirements are primarily contained in SCM Volume 1.

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<sup>1</sup> The types of contracts tested for compliance included both contracts subject to DGS review and approval (generally contracts totaling more than \$50,000) and those delegated to DCSS to directly execute (generally contracts totaling \$50,000 or less).

Since the instances of noncompliance were discussed with responsible management and staff during our audit fieldwork, they are not detailed in this report. However, the types of exceptions noted included weaknesses involving the following contracting practices (applicable criteria provided) [applicable exception/deviation rate noted]:

- Service contracts over \$5,000 are reported to DFEH (Department of Fair Employment and Housing) (SCM 1, 4.080 A.2.h) [100%]
- Vendors sign Contract Certification Clauses (CCC's) and signed copies are maintained in the contract file (SCM 1, 4.08 A.1.d.4 and A.7) [67%]
- Documentation is maintained verifying a contractor is in "good standing" with the Secretary of State (SOS) (SCM 1, 5.30 A.6.c) [100%]
- Contract approval occurs prior to the agreement start date (SCM 1, 4.09, A and B) [33%]

Staff not completely having a working knowledge of all applicable contracting policies and procedures, as well as insufficient training and management oversight, were found to be contributing factors to the above conditions.

### **Recommendation**

1. Strengthen existing, institute additional, and broadcast all policies and procedures which will ensure full compliance with state service contracting requirements. These activities should address each of the issues noted above.

### **DELEGATED PURCHASING PROGRAM**

While we concluded that DCSS has implemented a delegated purchasing program that ensures compliance with the state's primary procurement requirements, our tests of a sample of 43 transactions (including 17 purchases under \$10,000, 10 purchases over \$10,000, and 13 leveraged procurement agreement (LPA) transactions) disclosed areas for improvement that need to be addressed to fully comply with delegated purchasing requirements. When a department is transacting in FI\$Cal (Financial Information System for California), as DCSS currently does, the state's delegated purchasing requirements are primarily contained in State Contracting Manual (SCM) Volume F and SCM Volume 2 Consolidated (SCM C).

Since the specific instances of noncompliance were discussed with responsible management and staff during our audit fieldwork, they are not detailed in this report. However, the types of exceptions noted included weaknesses involving the following purchasing practices (applicable criteria provided) [applicable exception/deviation rate noted]:

- Correct usage and documentation of fair and reasonable method used in the procurement file (SCM F, 6.9.4) (SCM C, Section 1510) [25%]
- Signed Bidder Declarations for certified small business (SB) and disabled veteran business enterprise (DVBE) vendors documented in the procurement file (SCM F, 3.A4.7) (SCM C, Section 1202) [23%]
- Supporting documentation is maintained within the transaction file that FTB (Franchise Tax Board) and CDTF (California Department of Tax and Fee Administration) websites are checked to verify that contractors are not on any prohibited lists (SCM F, 2.B4.5) (SCM C, Section 605) [35%]

While it was difficult to determine the primary cause(s) for each of the aforementioned exceptions, responsible staff not being fully aware of all applicable requirements and simple oversight while processing these types of transactions all are ascribed to the above conditions.

### **Recommendation**

2. Strengthen existing policies and procedures to assist in ensuring full compliance with the requirements of the delegated purchasing program. This process should address each of the issues noted above.

### **DRIVER SAFETY AND INSURANCE PROGRAM**

DCSS needs to strengthen its driver safety and insurance program to assist in preventing and controlling the costs of vehicle accidents. Collectively, such accidents cost the state millions of dollars each year, including liability to other parties, repairs to state vehicles, workers' compensation, and lost work time of employees. For maximum containment of these costs, each state agency is expected to actively participate in the state's driver safety program. The following area need strengthening:

- **Vehicle Authorizations** – current policies and procedures are not ensuring that an Authorization to Use Privately Owned Vehicle (STD. 261) certification form is completed and annually updated by all employees who use their own vehicle to conduct state business. Specifically, at the time of our audit tests, a current STD. 261 was not available for five (50%) of 10 employees included in our sample prior to using their own vehicle on state business.

SAM Section 0753 requires that a privately-owned vehicle authorization form be completed and annually updated by each employee who uses his or her own vehicle to conduct state business. In addition, this section provides that an employee's travel expense claim for private vehicle mileage should not be approved by a supervisor prior to verification that a current authorization form is on file for the employee. The completion of the authorization form accomplishes the objective of having the employee certify in writing that the vehicle used will always be:

- Covered by liability insurance for the minimum amount prescribed by law
- Adequate for work performed
- Equipped with safety belts
- In safe mechanical condition

While operating unit supervisors and managers are responsible for ensuring that their staff are authorized to drive and adhere to vehicle insurance and safety requirements by having them complete (update) and sign the authorization form each year, it is evident that this process is not entirely operating as intended. We found that this condition exists primarily due to existing policies and procedures not specifically requiring that STD. 261 certification forms be updated annually and staff not being fully aware of these requirements.

### **Recommendation**

3. Strengthen and enforce current policies and procedures that ensure the completion and annual update of a STD. 261 certification form by employees prior to using their own vehicle to conduct state business. This process should include periodic notification(s) to managers/supervisors regarding their responsibilities for ensuring the completion and updating of the form each year and having employees sign and update the STD. 261 certification form prior to traveling.

### **DISPOSAL OF SURPLUS PERSONAL PROPERTY**

Policies and procedures have not been implemented which ensure that sufficient documentation is maintained on the process used to dispose of surplus personal property and that the responsible employee or unit supervisor certify in writing that the disposition has been accomplished. Specifically, our review of seven Property Survey Reports (STD. 152) disclosed that three (43%) had no evidence certifying the disposal of the state-owned personal property. In general, certified documentation was not available on which DCSS employee supervised the property item's removal and the manner and date of the disposal.

To assist in ensuring the proper disposal of surplus property, the STD. 152's Instructions require that information be provided on the manner and date of disposal. Further, the officer supervising the disposal is to sign the STD. 152. SAM Section 3520.9 also requires that a supervisor certify in writing that the disposition has been accomplished. The certification may be made on the STD. 152 or attached to that report.

Responsible staff appeared to be unaware of these requirements.

### **Recommendation**

4. Update surplus personal property program policies and procedures which ensure that complete documentation is maintained on the status of and process used to dispose of surplus personal property; the certificate of disposition needs to be completed by the person supervising the disposal. Communicate all related revisions to all pertinent staff involved in the process.

### **CONCLUSION**

Our findings and recommendations are presented to aid DCSS in administering its business management functions and services. DCSS should address the reported issues to assist in ensuring compliance with applicable state laws, policies and procedures.

**CALIFORNIA DEPARTMENT OF CHILD SUPPORT SERVICES**

P.O. Box 419064, Rancho Cordova, CA 95741-9064



November 8, 2022

Dennis M. Miras, CIA  
Department of General Services  
Office of Audit Services  
707 Third Street, Eighth Floor  
West Sacramento, California 95605

SUBJECT: COMPLIANCE WITH STATE BUSINESS MANAGEMENT POLICIES

Dear Mr. Miras:

The Department of Child Support Services concurs with the findings and recommendations provided in the Compliance of State Business Management Policies Audit Report. Please find below responses from the department regarding the findings.

### Delegated Contracts

Management has incorporated review of the State Contracting Manual Volume 1 during team meetings to improve staff knowledge on contracting process. The review will strengthen knowledge of current policies and procedures and ensure compliance with contracting criteria, specifically:

- State Contracting Manual Volume I Section 4.08 (A.2.h) and 4.09
- State Contracting Manual Volume I Section 5.30 (A.6.c)
- State Contracting Manual Volume I Section 4.70
- State Contracting Manual Volume I Section 4.08 (A.1.d.4)

The contract checklist is updated with instructions requiring buyers to submit evidence for management review demonstrating compliance to Department of Fair Employment and Housing reporting requirement, maintain signed contract certification clauses in contract file, and to determine whether a for profit corporation is in good standing by accessing the Secretary of State's web site prior to contracting.

### Delegated Purchasing Program

Policies and procedures are updated to ensure staff are knowledgeable when conducting fair and reasonable procurements with emphasis to compare identical situations/quantities. Checklists are updated with instructions requiring buyers to submit supporting documents for management review to ensure compliance with fair and reasonable methodology, signed bidder's declaration for SB/DVBE vendors, and, to verify and document the vendor is not on the prohibited lists for FTB and CDTFA prior to conducting the procurement.

### Driver Safety and Insurance Program

DCSS revised guidance on the Annual Compliance Checklist and strengthened internal controls regarding State Administrative Manual (SAM) 0753 requirements on the retention of signed forms and annual re-certification of the STD. 261 prior to Travel Expense Claim (TEC) submissions. Revision of existing process controls include periodic/annual dissemination of reminders for impacted employees that travel on State business and subsequent checklist validations by the Accounting Services Branch. The checklist validation serves as an added control assuring that all staff traveling have completed the annual authorization of STD. 261 to drive privately-owned vehicles while conducting official State business. Year-to-year record retention comparison checklist and coordination with Supervisors on impacted travelers will mitigate gaps on the requirement of a revised STD. 261 prior to TEC submission.

### Disposal of Surplus Personal Property:

Surplus property program policies and procedures are updated within the Facilities and Business Services Desk Manual to include the process for disposal of surplus property and the requirement of signature on the STD. 152 from the employee supervising the disposal of surplus property. Facilities and Business Services staff are informed of the requirements for completing the certificate of disposition.

If you have any questions or concerns regarding this matter, please contact me at (916) 464-5151 or [irene.briggs@dcss.ca.gov](mailto:irene.briggs@dcss.ca.gov).

Sincerely,

*Irene Briggs*

IRENE BRIGGS  
Deputy Director  
Administrative Services Division



# **CALIFORNIA DEPARTMENT OF CHILD SUPPORT SERVICES (DCSS)**

## **EVALUATION OF DCSS' RESPONSE**

We have reviewed the response by the California Department of Child Support Services (DCSS) to our draft audit report. The response to the recommendations is satisfactory and we appreciate the efforts taken and/or planned by DCSS to improve its business management functions and services.

As part of its operating duties, we are responsible for following up on audit recommendations and will require a six-month status report on the implementation of each. To the extent that it is practicable, proof-of-practice and supporting documentation should explain/outline specific actions taken and include excerpts, samples, screenshots, and/or copies of documents and communications which demonstrate corrective measures employed to address each of our recommendations, consistent with DCSS' individual formal responses to our draft audit.